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BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2013-199-WS

IN RE: Application of United Utility Company,
Incorporated for Approval of an Increase
In its Rates for Water and Sewer Services
Provided to All of Its Service Areas in
South Carolina

REBUTTAL TESTIMONY
OF
KIRSTEN MARKWELL

1 Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS
2 ADDRESS FOR THE RECORD.

3 A. My name is Kirsten Markwell. I am employed as a Manager of Regulatory
4 Accounting at Utilities, Inc., 2335 Sanders Road, Northbrook, Illinois 60062.
5

6 Q. WHAT IS YOUR PROFESSIONAL BACKGROUND?

7 A. I have been employed by Utilities, Inc. since August of 2002. Since that time
8 I have been involved in several phases of rate-making in many regulatory
9 jurisdictions. I graduated from Coe College in 2001 with a BA in Accounting, and
10 I have passed the CPA exam. I received my MBA from DePaul University in 2011.
11 I had one year of public accounting/auditing experience prior to joining Utilities,
12 Inc., and have successfully completed the utility regulation seminar sponsored by
13 NARUC.
14

15 Q. PLEASE EXPLAIN YOUR JOB RESPONSIBILITIES AT UTILITIES, INC.

16 A. My responsibilities include: financial analysis of individual subsidiaries of
17 Utilities, Inc., preparation of rate applications, facilitation of regulatory audits, and
18 the submission of testimony and exhibits to support rate applications. These
19 responsibilities relate specifically to our regulated utilities in Arizona, Florida,

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Georgia, Louisiana, Nevada, and South Carolina.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to certain adjustments in the direct testimony of Henry N. Webster in Docket No. 2013-199-WS, related to United Utility Company's ("UUC" or "United") application for an increase in rates and charges. Specifically, I will be rebutting adjustments 7, 8, 9, 13, 16, 17, 22, 23, 24, 25, and 26. My colleague, Mac Mitchell will also be rebutting adjustments 7 and 24 in more detail. Another colleague of mine, Karen Sasic, will be rebutting adjustment 1.

Q. DOES UNITED AGREE TO ANY OF THE ADJUSTMENTS MADE BY MR. WEBSTER IN HNW-4?

A. Yes, United agrees to adjustments 2, 4, 6, 10, 11, 12, 14, 15, 18, 19, and 28. Adjustments 3, 5, 20, 21, 27, 29, 30, 31, 32, 33, 34, 35, and 36 and fall out items.

Q. BEFORE YOU BEGIN DISCUSSION YOUR REBUTTED ADJUSTMENTS, CAN YOU PLEASE GIVE A BRIEF DESCRIPTION OF ORS'S ADJUSTMENT 1 IN HNW-4 AND WHAT UNITED'S POSITION IS ON THIS ADJUSTMENT?

A. I understand that ORS relied on United's response to one of ORS's data requests to compute the large adjustment to revenue. The response provided a premise report for United's entire service area during the test year. However, we have determined that United misinterpreted ORS's data request and should have only provided the premise report for active customers as of December 31, 2012. The corrected premise report for active customers only has now been created and provided to ORS. United's annualized revenue adjustment in my rebuttal testimony

1 has been calculated from the active customer premise report. United's adjustment
2 is \$2,595 for water and \$19,565 for sewer. These amounts can be found on KEM
3 Exhibit B, page 1, under the "pro forma adjustments" column. The work paper
4 supporting the annualization can be found on KEM Exhibit H, w/p [n], column (j),
5 lines (2) and (7). This annualization calculates the amount of annual revenues at
6 current rates from active customers. The premise report for active customers will
7 be discussed more fully and in more detail by my colleague, Karen Sasic. Ms. Sasic
8 will also be providing this report as an exhibit.

9
10 **Q. PLEASE DISCUSS YOUR ANALYSIS OF THE MAINTENANCE AND**
11 **REPAIR ADJUSTMENT, ADJUSTMENT 7 IN HNW-4.**

12 **A.** In its Adjustment No. 7, ORS proposes to reduce water maintenance and
13 repair by \$5,440 and increase sewer maintenance and repair by \$32,617. United has
14 analyzed the individual amounts that make up these totals, and while it agrees with
15 a few of the amounts, it disagrees with several of the others. For water,
16 there are two items comprising the ORS's water maintenance and repair component
17 of Adjustment No. 7.

18 First, ORS proposes to remove \$8,104.75 of invoices booked to United for
19 safe drinking water fees that clearly should have been booked to United's sister
20 company, Carolina Water Service, Inc. United agrees with these amounts.

21 Second, ORS also proposes to expense \$2,665.17 of items that United
22 originally capitalized. United can only agree that \$920.00 of ORS's \$2,665.17
23 should have been expensed.

24 Therefore, the total adjustment to water maintenance and repair should be a
25 decrease of \$7,184.75. This amount is broken down and detailed on w/p [q] of KEM
26 Exhibit H, column (a), line (8).

27 There are also five items comprising the ORS's sewer maintenance and

1 repair component of Adjustment No. 7.

2 First, ORS proposes to remove \$1,161.20 of various maintenance expenses.
3 United agrees with the removal of \$78.23, as this invoice was for paint at United's
4 sister company, Utilities Services of South Carolina, Inc.

5 Second, ORS removed \$200 (\$100 per employee) in its sewer maintenance
6 and repair adjustment for two pairs of boots for two employees because ORS could
7 not identify that the boots rightfully belonged in United. However, the boots are
8 clearly for Gerald Banister and Larry Chitwood, as the boots were on expense
9 reports submitted by both men. Both men are employees that ORS is allowing
10 salary to be allocated to United at 43.02% total, with 3.93% allocated to water and
11 39.08% allocated to sewer. Therefore, these employees' boots should be allocated
12 the same way, and 60.92% of the expense has been excluded for sewer maintenance
13 and expense by United. The expense reports for the boots have been provided in
14 KEM Exhibit L.

15 Third, ORS excluded an invoice for \$99.97 twice, effectively doubling its
16 removal of this amount. United does not agree with the original removal of the
17 \$99.97, but takes special exception with it being removed twice.

18 Fourth, there is \$783 of remaining maintenance and repair excluded by the
19 ORS for various reasons. Why these items should properly remain in maintenance
20 and repair will be discussed by my colleague, Mac Mitchell.

21 Fifth, ORS also proposes to expense \$33,693.80 of items that United
22 originally capitalized. United can only agree that \$4,050.72 of ORS's \$33,693.80
23 should have been expensed.

24 Therefore, the total adjustment to sewer maintenance and repair should be an
25 increase of \$3,850.65. This amount is broken down and detailed on w/p [q] of KEM
26 Exhibit H, column (a), line (13).
27

1 **Q. WHAT DID UNITED DISCOVER WHEN EXAMINING ORS'S**
2 **CHEMICAL ADJUSTMENT, OR ADJUSTMENT 8 IN HNW-4?**

3 **A.** In its Adjustment No. 8, ORS removed \$930 of chemical expense due to
4 ORS's belief that the expenses are undocumented. United looked back in its records
5 to determine if the expense was provided. The invoice supporting the expense in
6 the ledger was provided to the ORS.

7
8 **Q. IF THE CHEMICAL INVOICE WAS PROVIDED, WHY WAS IT**
9 **EXCLUDED BY ORS?**

10 **A.** The invoice from HM Northcutt, attached in Exhibit I is what United
11 provided in response to ORS's Audit Request #6 for this line item in the GL. The
12 line item in the GL was for \$930. Due to the nature of the product, we often have
13 cost fluctuations between the time of the purchase order and the time of receipt.
14 Often because of this, the purchase order is not booked into the GL for the same
15 amount for which the invoice comes in. We see this often as well due to tax and
16 freight costs.

17 This is one of these instances. The purchase order was for \$930, and the
18 invoice actually came in at a total of \$848, creating a purchase price variance of
19 \$82.00. This purchase price variance is booked into our ledger upon receipt and
20 payment of the invoice. The GL excerpt in Exhibit I is relative to this very entry.
21 As you can see, the original purchase order was for \$930. The attached excerpt
22 pulls the PV or document number on the invoice into the report, so you can see that
23 this line item relates to PV #472820, the same document number from the invoice.
24 Additionally a purchase price variance, or credit of (\$82.00) was booked to the
25 ledger so that the ledger reflects the correct amount of the invoice, \$848. You can
26 see the purchase price variance also shares the PV #472820.

1 Therefore, we believe the net balance of \$848 should be included in test year
2 expenses, and that United's increase of \$50 to test year chemical expense originally
3 proposed in its application should be accepted.
4

5 **Q. DOES UNITED AGREE WITH ORS'S PROPOSED TRANSPORTATION**
6 **EXPENSE ADJUSTMENT, OR ADJUSTMENT 9 ON HNW-4?**

7 **A.** Essentially, yes. Due to minor differences in ERC factors as discussed below
8 in regards to the vehicles in adjustment 24, United and ORS differ in their
9 adjustments by \$2, where ORS's adjustment increases expense by \$2 more than
10 United's adjustment increases the same expense. This is very minor and has no
11 effect on rates. Therefore, United does not object to the ORS's Adjustment No. 9.
12

13 **Q. DO UNITED AND ORS AGREE ON ORS'S PROPOSED RATE CASE**
14 **EXPENSE IN ADJUSTMENT 13 ON HNW-4?**

15 **A.** No, we do not. ORS currently proposes annual rate case expense of \$24,271.
16 This includes ORS's allowed amount for the current case as well as the unamortized
17 amount from the prior case, amortized over five years.
18

19 **Q. ARE THERE ANY SUBPARTS OF ORS'S RATE CASE EXPENSE**
20 **CALCULATION TO WHICH THE COMPANY CAN AGREE?**

21 **A.** Yes, United can agree to the unamortized balance of \$75,870. United had
22 originally proposed a higher unamortized balance based on the unamortized portion
23 of the rate case expense as of September 2013. Since the new rates from this case
24 will not go into effect until December 2013, ORS took the unamortized balance at
25 December 2013. United can agree to this. United can also agree to the reduction of
26 the capitalized time rate for certain employees. This capitalized time reduction
27 amounts to \$2,045.62.

1
2 **Q. CAN YOU DISCUSS THE SUBPARTS OF RATE CASE EXPENSE TO**
3 **WHICH UNITED DOES NOT AGREE?**

4 **A.** Yes. First, ORS is only including costs through August 26, 2013. As
5 United understands it, this was ORS's cutoff date for rate case expense. However,
6 several other costs have been incurred since this date and need to be included in rate
7 case expense. These expenses have been attached as KEM Exhibit M. It should be
8 noted that United plans to update its rate case expense again at the hearing and once
9 more post hearing.

10 Second, ORS's amortization period is five years. United proposes three
11 years, which was the amortization period given in United's sister company, Tega
12 Cay's last rate case. In addition, most UI companies are on a three year filing cycle,
13 making three years of amortization very reasonable.

14 Third, it appears ORS is excluding \$65 of invoices from Stephanie De La
15 Torriente for continuing property record preparation. These invoices should not be
16 excluded from rate case expense. They were provided to ORS as supporting
17 documents for CPR preparation. ORS is allowing other costs related to CPR
18 preparation. The invoices were reclassified from a different project where they were
19 originally coded. This was an inadvertent error and when the error was discovered,
20 the invoices were reclassified to United. Therefore, the \$65 of invoices from
21 Stephanie De La Torriente should be included in rate case expense.

22
23 **Q. WHAT IS UNITED'S TOTAL RATE CASE EXPENSE AND WHAT IS THE**
24 **AMORTIZATION EXPENSE PER YEAR?**

25 **A.** United proposes a total rate case expense of \$172,549. This expense,
26 amortized over three years, amounts to \$57,516 of O&M expense per year, with
27 \$5,260 attributable to water and \$52,256 attributable to sewer. Please see KEM

Exhibit H, w/p [d], columns (d) and (e), line (30).

Q. WHAT DISAGREEMENTS DOES THE COMPANY HAVE WITH ORS IN ITS MISCELLANEOUS EXPENSE ADJUSTMENT FOR NON-ALLOWABLE EXPENSES? (ADJUSTMENT 16 ON HNW-4).

A. ORS proposes to disallow the Company's leak mitigation adjustment. The Company can agree that no leak mitigation adjustment should be included for sewer, and has removed that proposed expense from its income statement. However, United believes that a leak mitigation adjustment for water is warranted and needed.

Q. HOW WOULD THIS LEAK MITIGATION ADJUSTMENT WORK?

A. United has proposed and adjustment equal to 0.5% of its revenues be allowed as an expense to mitigate the cost associated with giving a customer a bill adjustment for leaks. Right now, the policy across Utilities, Inc. is to not provide any billing adjustments unless the Company is in error, either in its billing or in its operations. A customer calling asking for an adjustment to their water bill for, as an example, their toilet running excessively, will not receive any bill relief. However, if United had a leak mitigation fund, it could provide adjustments for customers of United up to the amount it is recovering through rates for the leak mitigation fund. This would help ease customer bills and could reduce any potential customer complaints to ORS or to the Commission regarding leaks.

United proposes 0.5% because it believes it has to start somewhere. If United had the leak mitigation fund, it could begin to track phone calls and dollars associated with leaks. United could then adjust the fund up or down in future rate proceedings. In its current case, United would propose that if the funds were not fully used on an annual basis, the difference would be recorded as CIAC, as a reduction to rate base to benefit all customers. For example, if United had a leak

1 mitigation fund of \$5,000 and provided bill adjustments of \$4,500 in a given year,
2 \$500 would be transferred to CIAC at year end.
3

4 **Q. ARE THERE OTHER AMOUNTS IN ORS'S MISCELLANEOUS**
5 **ADJUSTMENT THAT YOU WOULD LIKE TO DISCUSS?**

6 **A.** Yes. ORS included an amount of \$3,112.50 for miscellaneous regulatory
7 matters, object account 6070 on United's general ledger. This account typically gets
8 grouped in with rate case expense. When the Company adjusted its rate case
9 expense, this amount was inadvertently adjusted out. ORS did test this amount as
10 part of miscellaneous expense and found that it should be included for ratemaking.
11 However, by nature of how it is grouped on United's income statement, it was
12 excluded in the filing. Therefore, United is adding it back as part of miscellaneous
13 expense because it agrees with ORS that this amount should be included for
14 ratemaking.
15

16 **Q. DOES UNITED AGREE WITH ORS'S CUSTOMER GROWTH**
17 **ADJUSTMENT, OR ADJUSTMENT 23 ON HNW-4?**

18 **A.** No, it doesn't. Even though ORS's customer growth adjustment would
19 theoretically be reduced if it agreed with United's customer count, United believes
20 a customer growth adjustment is not necessary at all. ORS's growth adjustment
21 assumes that the growth in the test year will continue going forward. In other words,
22 it assumes customers that don't even currently exist are going to generate revenue.

23 United proposes no growth adjustment, as there is no evidence that growth
24 will occur.
25

1 **Q. THE PLANT IN SERVICE ADJUSTMENT IS ADJUSTMENT 24 ON HNW-**
2 **4. OF WHAT DOES THIS ADJUSTMENT CONSIST?**

3 **A.** This adjustment consists of adjustments to transportation, retirements,
4 capitalized time, capital projects, and computers. I will discuss each of these
5 adjustments separately, although I will not be providing detailed discussion on
6 ORS's capitalized time or computer adjustment, because United is agreeing to those
7 adjustments.
8

9 **Q. DOES UNITED AGREE WITH THE TRANSPORTATION PORTION OF**
10 **ORS'S GROSS PLANT IN SERVICE ADJUSTMENT?**

11 **A.** United does not agree fully with ORS's transportation adjustment. ORS
12 changed the ERC denominator for several employees who have vehicles allocated
13 to United. I will go through these separately, by employee. A summary of each of
14 these ERC counts as well as the total vehicle balances being requested for
15 ratemaking can be found on KEM Exhibit H, w/p [m].

16 Rick Durham and Scotty Haws – Mr. Durham's and Mr. Haws's ERC
17 denominator in United's filing was 159,820.7. ORS is using 158,447.2. ORS's
18 calculation is missing two business units in Utilities, Inc. of Florida, the business
19 unit for our non-regulated company in Florida, and two business units in Water
20 Service Corporation of Georgia. The table below reconciles the difference.
21

		ERC Count
	Per ORS	158,447.20
Business Units Missed	252136	268.00
	252137	264.00
	254101	760.50
	386132	22.00
	386133	59.00
	Per UUC	159,820.70

Patrick Flynn – Mr. Flynn’s ERC denominator in United’s filing was 94,710.8. ORS is using 93,418.3. ORS’s calculation is missing two business units in Utilities, Inc. of Florida and the business unit for our non-regulated company in Florida. The table below reconciles the difference.

		ERC Count
	Per ORS	93,418.30
Business Units Missed	252136	268.00
	252137	264.00
	254101	760.50
	Per United	94,710.80

Don Sudduth – Mr. Sudduth’s ERC denominator in United’s filing was 265,337.49. ORS is using 265,278.49. ORS’s calculation is missing one business

unit in Georgia. The table below reconciles the difference.

		ERC Count
	Per ORS	265,278.49
Business Unit Missed	386133	59.00
	Per UUC	265,337.49

United believes the original allocations for these employees above should not be changed. If the ORS' calculations were used, United's allocation would actually be larger than it should be.

ORS also changed the Greenville area pool truck to reflect only the ERC's in the Greenville area. United agrees, and therefore, the ERC denominator for the Greenville pool truck should be 2,425.5. ORS also added two additional vehicles to the vehicle allocation for United, a boom truck and a vac truck. United believes ORS had a small error in their ERC calculations, and that the ERC numerator and denominator for the boom truck should be 1,082.5 and 32,402.1, respectively, and that the ERC numerator and denominator for the vac truck should be 1,082.5 and 32,228.1, respectively.

Based on all the minor adjustments above, United believes the increase to the balance for vehicles for the test year should be \$3,413 for water and \$37,313 for sewer. In addition, the accumulated depreciation balance for vehicles in the test year should increase (credit to A/D) by \$796 for water and \$10,392 for sewer. Test year depreciation expense for vehicles should increase by \$117 for water and \$1,390 for sewer.

Q. EXPLAIN WHAT CAPITAL PROJECT IMPROVEMENTS WERE

1 **INCLUDED BY UNITED IN ITS APPLICATION BUT EXCLUDED BY**
2 **ORS.**

3 **A.** United included several capital project improvements in its application,
4 including but not limited to an engineering project for facilities at North Greenville
5 College as well as installation of digesters. ORS excluded both the engineering
6 project (\$64,242) and a portion of the digester project (\$42,048). The engineering
7 was excluded because the project related to the engineering has not been started.
8 Specific invoices and capitalized time in the digester project were excluded.

10 **Q. DOES UNITED AGREE WITH ORS ON THE EXCLUSION OF THESE**
11 **DOLLARS?**

12 **A.** United can agree that to exclude the engineering project in this proceeding,
13 but reserves the right to request recovery of the engineering after the matching
14 project is placed in service. In terms of the digesters, United can agree to a portion
15 of ORS's adjustment. ORS proposed to exclude \$42,048. United agrees to exclude
16 \$13,420 for invoices that are missing or cannot be identified as United. This
17 adjustment is shown on KEM Exhibit H, w/p [j], column (a), line (6). The remaining
18 invoices are for United and can be identified as such. These invoices can be found
19 in Exhibit K. These invoices clearly have United's company name or number on
20 them, and were spent in conjunction with a capital project.

22 **Q. DID ORS PROPOSE TO EXPENSE ANY OF UNITED'S CAPITALIZED**
23 **ITEMS?**

24 **A.** Yes, there were several items that United capitalized that ORS proposes to
25 expense or remove from rate base. I will go through these year by year for 2010
26 through 2012.

27 For 2010, ORS proposes to expense \$33,536.62 of capital spent. United has

1 reviewed ORS's proposal, and agrees that \$4,038.87 should have been expensed,
2 and that \$27,643.75 should remain capitalized. The difference of \$1,854 relates to
3 items that ORS proposed to expense, but United actually already reclassified these
4 items to expense in 2010, so to reclassify them again would understate utility plant
5 in service. Please see excerpts of these journal entries in KEM Exhibit J.

6 For 2011, ORS proposes to expense \$32,574.12 of capital spent. United has
7 reviewed ORS's proposal, and agrees that \$13,424.59 should have been expensed.
8 The remaining amount of \$19,149.53 should remain capitalized.

9 For 2012, ORS proposes to expense \$39,720.06 of capital spent. United has
10 reviewed ORS's proposal, and agrees that \$4970.72 should have been expensed and
11 included in test year expenses. The remaining amount of \$34,749.34 should remain
12 capitalized.

13 The amounts to remain capitalized are presented and supported in the
14 testimony of my colleague, Mac Mitchell. The items that should be expensed are
15 shown on KEM Exhibit H, w/p [p], column (b), lines (67) and (68).

16
17 **Q. WERE THERE RETIREMENTS ASSOCIATED WITH THE ITEMS THAT**
18 **UNITED IS PROPOSING SHOULD REMAIN CAPITALIZED?**

19 **A.** Yes, there were several items that United retired when the capital
20 improvement was recorded. For items that should have had retirements on the
21 books, but did not, retirements have been taken in United's rebuttal testimony.
22 These retirements presented in rebuttal were taken at 75% of the value of the new
23 asset. These retirements total \$5,005.75 for water and \$10,547.71 for sewer. These
24 retirements are detailed on KEM Exhibit H, w/p [k], column (b), lines (30) and (31).
25 My colleague, Mac Mitchell's exhibits detail which assets that remain capitalized
26 already had retirements vs. which assets had retirements made in United's rebuttal
27 position. It should be noted that ORS proposed to make some retirements as well,

1 but several of these retirements were taken on assets that already had retirements
2 (creating a double retirement).

3
4 **Q. WHY IS IT SO IMPORTANT TO UNITED THAT ASSETS IT BELIEVES**
5 **TO BE PROPERLY CAPITALIZED REMAIN CAPITALIZED?**

6 **A.** United sets budgets annually for revenue, capital, and expense. United
7 follows the Uniform System of Accounts Rules for capitalization. Items extending
8 the life of the asset are capitalized. Regarding Utility Plant in Service, the Uniform
9 System of Accounts states, "This account shall include the original cost of utility
10 plant included in the plant accounts prescribed herein and in similar accounts for
11 other utility departments, owned and used by the utility in its utility operations, and
12 having an expected life in service of more than one year from date of installation."

13 When dollars spent as capital are subsequently incorrectly classified as
14 expense, companies such as United have more expenses in their financial statements
15 than what were budgeted, and more importantly, more expenses in their financials
16 than what may be seemingly healthy for the utility. This inflated expense number
17 distorts the net income of the Company.

18
19 **Q. DOES UNITED AGREE WITH ADJUSTMENT 25 FROM HNW-4?**

20 **A.** Yes, for purposes of this proceeding, United can agree with ORS's
21 adjustment to increase Utility Plant in Service by \$51,843 for water and \$57,806 for
22 sewer. These amounts are shown on KEM Exhibit H, w/p [1], column (i), lines (3)
23 and (6)..

24
25 **Q. ORS AND UNITED HAVE MINOR DIFFERENCES IN THEIR**
26 **DEPRECIATION CALCULATIONS. PLEASE EXPLAIN. THESE ARE**
27 **ADJUSTMENTS 17 AND 26.**

1 **A.** United and ORS were able to agree on depreciation expense for items in plant
2 to which they agreed, including some capital to expense items, some capital
3 improvements that should be excluded, and general ledger additions. All utility
4 plant that United is including for ratemaking is depreciated at 1.5%. United can also
5 agree to ORS's computer depreciation expense adjustment and has only minor
6 differences in the vehicle depreciation expense adjustment. United should note that
7 one difference it does have is from ORS depreciating allocated plant at 1.5%.
8 Allocated plant consists of assets in Northbrook, such as our headquarters building,
9 desks and office furniture, which carry its own depreciation rate. Since ORS is not
10 disallowing any allocated plant, the allocated depreciation expense from
11 headquarters should be allowed, per books.

12 All these adjustments sum to a total depreciation expense adjustment of \$766
13 for water and (\$285) for sewer. Supporting calculations for total depreciation
14 expense can be found on KEM Exhibit H, w/p [f].
15

16 **Q. HOW DOES ACCUMULATED DEPRECIATION DIFFER BETWEEN ORS**
17 **AND UNITED?**

18 **A.** Similar to ORS's depreciation expense adjustment, there are discrepancies
19 that arise due to differences in plant balances. After all adjustments, total
20 accumulated depreciation amounts to \$63,689 for water and \$503,036 for sewer.
21 Supporting calculations for total depreciation expense can be found on KEM Exhibit
22 H, w/p [f/1].
23

24 **Q. BASED ON THE ADJUSTMENTS ABOVE, WHAT IS THE FINAL**
25 **ADJUSTED NET OPERATING INCOME FOR RETURN AT PRESENT**
26 **RATES?**

27 **A.** Based on the above, the Commission should determine the net operating

1 income for return to be a loss of \$2,203 for water and income of \$36,968 for sewer.
2 These amounts can be found on KEM Exhibit B, pages 2 and 3, under the pro forma
3 present column.
4

5 **Q. BASED ON THE ADJUSTMENTS ABOVE, WHAT IS THE FINAL**
6 **ADJUSTED NET OPERATING INCOME FOR RETURN AT PROPOSED**
7 **RATES?**

8 **A.** Based on the above, the Commission should determine the net operating
9 income for return to be a \$7,830 for water and income of \$258,573 for sewer. These
10 amounts can be found on KEM Exhibit B, pages 2 and 3, under the pro forma
11 proposed column.
12

13 **Q. BASED ON THE ADJUSTMENTS ABOVE, WHAT IS THE FINAL RATE**
14 **BASE?**

15 **A.** Based on the above, the Commission should include \$261,790 as total rate
16 base for water and \$2,819,477 as total rate base for sewer. These amounts can be
17 found on KEM Exhibit C, pages 2 and 6.
18

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 **A.** Yes, it does.